

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

07/27/20  
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Application of Southern California Gas Company  
(U 904 G) and San Diego Gas & Electric Company  
(U 902 G) for Review of Costs Incurred in  
Executing Pipeline Safety Enhancement Plan

Application 18-11-010  
(Filed on November 13, 2018)

**JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT OF SOUTHERN  
CALIFORNIA GAS COMPANY (U 904 G), SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902 G), THE PUBLIC ADVOCATES OFFICE, AND INDICATED  
SHIPPERS AND REQUEST FOR REDUCTION OF COMMENT PERIOD**

JEFFREY B. FOHRER  
Attorney for  
**SOUTHERN CALIFORNIA GAS COMPANY  
SAN DIEGO GAS & ELECTRIC COMPANY**  
555 West Fifth Street, Suite 1400  
Los Angeles, California 90013  
Telephone: (213) 244-3061  
Facsimile: (213) 629-9620  
E-mail: [jfohrer@socalgas.com](mailto:jfohrer@socalgas.com)

NORA SHERIFF  
Attorney for the  
**INDICATED SHIPPERS**  
Buchalter, A Professional Corporation  
55 Second Street, Suite 1700  
San Francisco, CA 84105  
Telephone: (415) 227-0900  
Facsimile: (415) 227-0770  
E-mail: [nsheff@Buchalter.com](mailto:nsheff@Buchalter.com)

DARRYL GRUEN  
Attorney for  
**PUBLIC ADVOCATES OFFICE**  
California Public Utilities Commission  
505 Van Ness Avenue, Room 4300  
San Francisco, CA 94102  
Telephone: (415) 703-1973  
E-mail: [djg@cpuc.ca.gov](mailto:djg@cpuc.ca.gov)

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ELECTRIC COMPANY (U 902 G), THE PUBLIC ADVOCATES OFFICE, AND  
INDICATED SHIPPERS AND REQUEST FOR REDUCTION OF COMMENT  
PERIOD**

Pursuant to Rule 12.1 of the California Public Utilities Commission’s (“CPUC” or “Commission”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”), San Diego Gas & Electric Company (“SDG&E,” and collectively with SoCalGas, “Applicants”), the Public Advocates Office, and Indicated Shippers (collectively, the “Settling Parties”)<sup>1</sup> respectfully request that the Commission approve the Settlement Agreement Among Southern California Gas Company, San Diego Gas & Electric Company, Indicated Shippers, And The Public Advocates Office (“Settlement Agreement”) attached as Attachment A to this motion in this proceeding addressing the review of costs Applicants incurred in executing the Pipeline Safety Enhancement Plan (“PSEP”).

The Settlement Agreement represents the culmination of several weeks of settlement discussions among the Settling Parties during the period of late 2019 until the Settlement Agreement was executed by each of the Settling Parties on January 30, 2020. This settlement would resolve all issues in this PSEP proceeding except for: Applicants’ proposals to amortize operations and maintenance (“O&M”) and capital-related revenue requirements recorded in Applicants’ PSEP balancing accounts over a twelve-month period upon approval of their

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<sup>1</sup> In accordance with Rule 1.8(d), counsel for SoCalGas and SDG&E has been authorized by the Public Advocates Office and Indicated Shippers to file this Joint Motion on their behalf.

Application, and Indicated Shippers’ proposals that the amortization of capital costs and O&M expenses be extended over twenty years and four years, respectively (the “Amortization Issues”).<sup>2</sup>

The Settling Parties move the Commission to find the Settlement Agreement to be in the public interest, reasonable in light of the entire record, and consistent with the law.

## I. BACKGROUND

On November 13, 2018, Applicants filed their application through which they sought review of \$940.7 million (\$811.1 million for SoCalGas and \$129.6 million for SDG&E) of costs incurred to implement their PSEP. These costs, after applicable exclusions and disallowances, result in a calculated estimated revenue requirement of \$188.3 million for SoCalGas and \$22.9 million for SDG&E. On April 10, 2019, Applicants filed an amended application updating the amount of costs to be reviewed in this proceeding.

Applicants sought review of the following costs:

### Total Costs by Project (in \$000’s, Fully Loaded)

Completed Project / Cost Category	Project Type	Capital Costs	O&M Costs	Total Costs <sup>3</sup>
30-18 Sections 1 and 3	Replace	\$28,281		\$28,281
33-120 Section 3	Replace	\$7,320	\$120	\$7,440
36-1002	Replace	\$2,035		\$2,035
36-9-09 North Section 1	Replace	\$53,835	\$2	\$53,837
36-9-09 North Section 3	Replace	\$27,244	\$4	\$27,248
36-9-09 North Section 4A and 4B	Replace	\$15,145		\$15,145
36-9-09 North Section 7A and 7B	Replace	\$37,729	\$15	\$37,744
37-07	Replace	\$31,283	\$5	\$31,288
37-18 Sections 1,2,3,4,5	Replace	\$58,054		\$58,054
38-200	Replace	\$8,539	\$23	\$8,562
38-501	Replace	\$22,339	\$7	\$22,346
38-504	Replace	\$5,714	\$7	\$5,721
38-512 Sections 1, 2, 3	Replace	\$30,889	\$1,245	\$32,134
38-514	Replace	\$14,751	\$23	\$14,774

<sup>2</sup> The Amortization Issues have been fully briefed (Opening Briefs were filed on January 30, 2020; Reply Briefs filed on February 14, 2020) in this proceeding.

<sup>3</sup> Gross costs, disallowance has not been deducted from this column.

Completed Project / Cost Category	Project Type	Capital Costs	O&M Costs	Total Costs <sup>3</sup>
38-931	Replace	\$7,467		\$7,467
41-17	Replace	\$2,744		\$2,744
41-116	Replace	\$227		\$227
41-6000-2	Replace	\$84,857		\$84,857
43-121 North Section 1	Replace	\$15,991		\$15,991
43-121 South	Replace	\$35,844		\$35,844
44-137	Replace	\$27,605	\$16	\$27,621
44-687	Replace	\$5,892	\$10	\$5,902
44-720	Replace	\$10,981	\$9	\$10,990
85 South Newhall	Replace	\$9,880		\$9,880
2000-West Santa Fe Springs Station	Replace	\$9,416		\$9,416
31-09	Test		\$3,651	\$3,651
32-21 Section 1	Test	\$1,083	\$9,289	\$10,372
32-21 Section 2	Test	\$761	\$4,740	\$5,501
32-21 Section 3	Test	\$683	\$3,175	\$3,858
37-18-F	Test	\$83	\$7,473	\$7,556
406 Section 3	Test	\$390	\$2,222	\$2,612
2000-C	Test	\$3,086	\$10,867	\$13,953
2001 West-B	Test	\$686	\$4,430	\$5,116
2003 Section 2	Test	\$488	\$2,439	\$2,927
36-9-09 North Section 5A	Test/Replace	\$14,197	\$2	\$14,199
404 Sections 1, 2, 2A, 3, 3A, 4&5, 8A, and 9	Test/Replace	\$13,848	\$12,484	\$26,332
1004	Test/Replace	\$6,899	\$7,121	\$14,020
36-9-09 South	Abandon	\$2,339	\$2	\$2,341
36-9-09 JJ	Abandon	\$1,905	\$2	\$1,907
Kern Wildlife Bundle	Abandon	\$1,888	\$4	\$1,892
Alhambra Station	Valve	\$3,588		\$3,588
Aviation & Boardwalk	Valve	\$7,397		\$7,397
Banning 5000 Bundle	Valve	\$2,410		\$2,410
El Segundo	Valve	\$7,488		\$7,488
Haynes Station	Valve	\$1,750		\$1,750
Honor Ranch Bundle	Valve	\$1,486		\$1,486
Indio	Valve	\$2,853	\$5	\$2,858
Lampson Bundle	Valve	\$9,632		\$9,632
Line 1005 Santa Barbara	Valve	\$516		\$516
Line 1014 Brea Bundle	Valve	\$7,297		\$7,297
Line 1018 Dana Point	Valve	\$734		\$734
Line 1020	Valve	\$1,664		\$1,664
Line 2000 Beaumont Riverside Bundle	Valve	\$2,786		\$2,786

Completed Project / Cost Category	Project Type	Capital Costs	O&M Costs	Total Costs <sup>3</sup>
Line 2001 Riverside Bundle	Valve	\$2,479		\$2,479
Line 2001 West Section 10 and 11	Valve	\$1,545		\$1,545
Line 2003 East Bundle	Valve	\$4,436		\$4,436
Line 2003 West Bundle	Valve	\$3,930		\$3,930
Line 225 Valve Bundle	Valve	\$2,575		\$2,575
Line 235-335 East Bundle	Valve	\$3,894		\$3,894
Line 4000 Benson and 7th	Valve	\$1,612		\$1,612
Line 4000 MP 45.36	Valve	\$1,257		\$1,257
Line 4000 MP 53.00	Valve	\$1,370		\$1,370
Line 4000 MP 80.08	Valve	\$1,245		\$1,245
Line 4002 Fontana	Valve	\$1,259		\$1,259
Line 404 Ventura Bundle	Valve	\$4,646		\$4,646
Line 404-406 Ventura 2016 Bundle	Valve	\$974		\$974
Line 406 Ventura Bundle	Valve	\$3,902		\$3,902
Line 6916 Bundle	Valve	\$2,788		\$2,788
Line 7000 Bundle	Valve	\$1,843		\$1,843
New Desert Bundle	Valve	\$10,523	\$6	\$10,529
Newhall Bundle	Valve	\$15,886		\$15,886
Orange Bundle	Valve	\$5,324	\$2	\$5,326
Questar Taps	Valve	\$1,763	\$5	\$1,768
Rainbow Bundle	Valve	\$5,207		\$5,207
Sepulveda Station	Valve	\$1,038		\$1,038
Facilities Lease (SoCalGas)	Misc		\$6,112	\$6,112
Descoped Projects	Misc		\$746	\$746
Post Completion Adjustments	Misc	\$148	\$1,256	\$1,404
PSRMA PSEP Insurance	Misc	\$305	\$1,656	\$1,961
<b>SoCalGas Total</b>		<b>\$731,948</b>	<b>\$79,175</b>	<b>\$811,123</b>
49-28	Replace	\$46,990		\$46,990
49-15	Replace	\$43,489		\$43,489
49-11	Test	\$4,762	\$2,613	\$7,375
49-13 Sections 1, 2, and 3	Test/Replace	\$19,010	\$4,569	\$23,579
Line 49-28	Valve	\$1,658		\$1,658
Line 1600 Bundle	Valve	\$707		\$707
Line 3600 Bundle	Valve	\$5,295		\$5,295
Line 3010 Bundle	Valve	\$276		\$276

<b>Completed Project / Cost Category</b>	<b>Project Type</b>	<b>Capital Costs</b>	<b>O&amp;M Costs</b>	<b>Total Costs<sup>3</sup></b>
Facilities Lease (SDG&E)	Misc		\$363	\$363
Post Completion Adjustments	Misc	(\$115)		(\$115)
<b>SDG&amp;E Total</b>		<b>\$122,072</b>	<b>\$7,545</b>	<b>\$129,617</b>
<b>GRAND TOTAL</b>		<b>\$854,020</b>	<b>\$86,720</b>	<b>\$940,740</b>

On June 3, 2019, the Public Advocates Office and Indicated Shippers served testimony and workpapers. The Public Advocates Office proposed approximately \$22.7 million in incremental disallowances (i.e., disallowances in addition to those already acknowledged by Applicants). Indicated Shippers presented testimony regarding amortization issues (which as set forth above, is not included in the scope of the settlement and has been briefed separately). No party submitted testimony challenging the reasonableness of the activities undertaken by Applicants to execute the PSEP projects presented for review in this proceeding.

On October 21, 2019, Applicants served rebuttal testimony revising their request, making minor adjustments to disallow Post-1955 PSEP costs of \$1,905,000, revising the total amount of Applicants' proposed disallowed costs to \$2,133,000.

On November 7, 2019, the active parties agreed to waive evidentiary hearings (previously set for November 12-14, 2019) and proceed straight to briefing. This request was granted by Administrative Law Judge ("ALJ") Ayoade on November 7, 2019. Also on November 7, 2019, following meet and confer efforts, the parties filed a joint motion to move exhibits into the evidentiary record. There were approximately 26 exhibits, the contents of which include extensive testimonies, workpapers, and data request responses.

Thereafter, the active parties<sup>4</sup> began to discuss possible settlement. On December 16, 2019, a Notice of Settlement Conference was sent to the parties of this proceeding. On December 23, 2019, a settlement conference was held. On or around January 7, 2020,

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<sup>4</sup> The active parties in this proceeding are Applicants, Public Advocates Office, and Indicated Shippers. While TURN and SCGC are parties in this proceeding, they did not serve any testimony, workpapers, or submit any other exhibit for admission into the record.

Applicants, the Public Advocates Office and Indicated Shippers reached a settlement in principle that would resolve all issues in this proceeding except for the Amortization Issues. Following further discussions and negotiations, the settlement agreement was finalized and executed by the Settling Parties on January 30, 2020.

## **II. SUMMARY OF THE SETTLEMENT AGREEMENT**

The Settling Parties seek Commission approval of the terms set forth in Attachment A, as summarized below.

1. The Settling Parties, while acknowledging the matters addressed in this Agreement, have agreed to fully resolve the issues set forth in this Proceeding, except the Amortization Issues.
2. The Settling Parties Agree that Applicants will acknowledge an additional \$4 million (\$4,000,000) disallowance incremental to those disallowances already acknowledged by Applicants. Hence, the total amount of costs to be approved in this Application would be \$940,740,000 (total costs sought for review in this proceeding) - \$2,133,000 (acknowledged disallowance by Applicants) - \$4,000,000 (agreed incremental disallowance) = \$934,607,000.
3. The Settling Parties agree that this \$4,000,000 disallowance would be applied to the Safety Enhancement Expense Balancing Account (“SEEBA”).
4. The Settling Parties agree that the \$4 million in incremental disallowance would apply entirely to operations and maintenance (“O&M”) costs. The Settling Parties further agree that the disallowance would be allocated between SoCalGas and SDG&E on a pro rata basis in line with the request in the Application (approximately 86% and 14%, respectively). The Settling Parties also agree that the agreed disallowance would not be retroactive (i.e., would not apply) to any costs previously approved for recovery in any other proceeding.



5. The Settlement Agreement shall become effective upon issuance of a Commission decision adopting the Settlement Agreement. The Settling Parties agree that SoCalGas and SDG&E will file Tier 1 Advice Letters within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas and SDG&E.
6. The Settlement Agreement shall not be considered precedent in any future proceeding before this Commission unless the Commission expressly provides otherwise, as set forth in Rule 12.5 of the Commission's Rules of Practice and Procedure.

### **III. THE SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST**

Rule 12.1(d) provides that, before approving a settlement, the Commission must determine that the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

The Commission has consistently recognized the “strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”<sup>5</sup> This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.<sup>6</sup> Moreover, in assessing settlements the Commission evaluates the *entire* agreement, and not just its individual parts:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single

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<sup>5</sup> D.88-12-083, mimeo., at 54. *See also* D.11-05-018, mimeo., at 16.

<sup>6</sup> D.92-12-019, mimeo., at 7-8.

provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.<sup>7</sup>

Here, and as further explained below, Settling Parties submit that the settlement as a whole in this proceeding produces a just and reasonable outcome that satisfies the requirements of Rule 12.1(d).

**A. The Settlement Is Reasonable In Light of the Whole Record**

One of the three Rule 12.1(d) criteria for approval of a settlement is that it be reasonable in light of the whole record.

The Commission recently summarized its considerations under this criterion in the context of a proposed settlement of a telecommunications application for a Certificate of Public Convenience and Necessity:

This proceeding includes a full record of filed documents, including but not limited to the Joint Motion and Settlement. The Settlement was reached after careful analysis of the issues by each party involved, all of whom are knowledgeable and experienced regarding telecommunications regulatory requirements. The Settlement includes detailed instructions regarding implementation of its terms.<sup>8</sup>

The Settlement Agreement shares these characteristics. As summarized above, a substantial record has been developed since Applicants initiated this proceeding in November 2018. Applicants submitted fourteen chapters of testimony and a myriad of accompanying workpapers. The Public Advocates Office sponsored three chapters of testimony and accompanying workpapers. Indicated Shippers submitted one chapter of testimony and accompanying schedules. Through the Joint Motion on November 7, 2019, the Settling Parties

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<sup>7</sup> D.10-04-033, *mimeo.*, at 9.

<sup>8</sup> *Re SP Licenses, Inc.*, D.17-03-005, (*mimeo*) pp. 5-6. See also, *Re Sierra Pacific Power*, D.06-08-024, (*mimeo*), p. 8: “Prior to the settlement, parties conducted extensive discovery, and served detailed testimony on the issues related to revenue requirement, marginal costs, revenue allocation and rate design.” See also, *Re Pacific Gas and Electric Co. Re Pacific Gas and Electric Co.* (1991) 40 C.P.U.C.2d 301, 326.

jointly moved that these exhibits be entered into the evidentiary record.

Beginning on or about December 3, 2019 and through the execution of the Settlement Agreement on January 30, 2020, the Settling Parties engaged in several settlement calls with each other to probe each Settling Party's position and analyze each issue involved. After these many, careful settlement calls and deliberations, the Settling Parties were able to reach a settlement.

Throughout these sessions, the parties devoted substantial time and effort to working collaboratively to identify and achieve a better common understanding of the range of issues in dispute, the various options for narrowing the number of disputed issues, and opportunities to develop compromise positions that would permit resolution of the disputed issues. The Settlement Agreement is a product of those efforts.

The Settlement Agreement represents the collective best efforts of the Settling Parties. Consistent with Rule 12.1, the parties to the Settlement agree that the Settlement Agreement results in "a mutually agreeable outcome to the proceeding." The Commission should find the Settlement Agreement reasonable in light of the record.

#### **B. The Settlement Is Consistent With The Law**

The Settling Parties are represented by experienced counsel, and believe that the terms of the Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof. In agreeing to the terms of the Settlement Agreement, the Settling Parties considered relevant statutes and Commission decisions and believe that the Settlement Agreement is fully consistent with those statutes and prior Commission decisions.

### **C. The Settlement Is In The Public Interest**

The Commission has determined that a settlement that “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” meets the “public interest” criterion.<sup>9</sup> Here, all of the active parties who took positions on the issues covered by the Settlement Agreement have joined this motion and have signed the attached Settlement Agreement indicating that they believe the agreement represents a reasonable compromise of their respective positions.

Moreover, nothing in the Settlement Agreement would jeopardize the public interest. The Settling Parties negotiated in good faith over an extended period of time, during which they applied their expertise and collective judgment to a fulsome record. The Commission should find the Settlement Agreement to be in the public interest.

The Settlement Agreement, if adopted by the Commission, avoids the cost of further litigation, and frees up Commission and Settling Parties’ time and resources to focus on other proceedings.

### **D. The Settlement Should Be Adopted Without Modification**

Though various terms of the Settlement Agreement are discussed separately in the summary above, the Settlement Agreement is presented as a whole, and Settling Parties request that it be reviewed and adopted as a whole. Each provision of the Settlement is dependent on the other provisions of the Settlement; thus modification of any one part of the Settlement Agreement would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing

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<sup>9</sup> D.10-06-015, mimeo., at 11-12, *citing* D.92-12-019, mimeo., at 7.

interests; in some instances the proposed outcome reflects a party's concession on one issue in consideration for the outcome provided on a different issue. The proposed outcome on each issue is reasonable in light of the entire record. Accordingly, the Commission should consider and approve the Settlement as a whole, with no modification.

**E. Proposed Reduction Of The Motion Comment Period And Proposed Waiver Of Comments On A Draft Decision Approving The Settlement**

Given that all the active parties in this proceeding have signed onto the Settlement Agreement, the Settling Parties respectfully request that the Commission reduce the standard 30-day comment period provided by Rule 12.2 to ten days. This reduced comment period will enable the Commission to consider the Settlement Agreement at least one business meeting earlier than otherwise, and it is particularly appropriate given that all active parties to the proceeding have been involved in the settlement discussions leading up to the Settlement Agreement.

**IV. CONCLUSION**

As shown herein, the Settlement Agreement is reasonable in light of the whole record, is consistent with law, is in the public interest, and should be approved the Commission. Further, the Commission should reduce the standard 30-day comment period for comments on settlements to ten days, and the Commission should waive comments on a Proposed Decision if the Proposed Decision adopts the Settlement as presented.

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Respectfully submitted,

By: /s/ Jeffrey B. Fohrer  
Jeffrey B. Fohrer

JEFFREY B. FOHRER

Attorney for  
SOUTHERN CALIFORNIA GAS COMPANY  
SAN DIEGO GAS & ELECTRIC COMPANY  
555 West Fifth Street, Suite 1400  
Los Angeles, California 90013  
Telephone: (213) 244-3061  
Facsimile: (213) 629-9620  
E-mail: jfohrer@socalgas.com

March 4, 2020

# ATTACHMENT A

**SETTLEMENT AGREEMENT AMONG SOUTHERN CALIFORNIA GAS COMPANY,  
SAN DIEGO GAS & ELECTRIC COMPANY, INDICATED SHIPPERS, AND THE  
PUBLIC ADVOCATES OFFICE**

Southern California Gas Company and San Diego Gas & Electric Company (jointly, the “Applicants”), Indicated Shippers, and the Public Advocates Office (all collectively, the “Settling Parties”) hereby agree to settle and resolve certain issues within the Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902) for Review of Costs Incurred in Executing Pipeline Safety Enhancement Plan, Application (A.) 18-11-010 (“Proceeding”).

**I.     RECITALS**

- A.     On November 13, 2018, Applicants filed their application in this Proceeding, through which they sought review of costs to implement their pipeline safety enhancement plan (“PSEP”). These costs, after applicable exclusions and disallowances, result in a calculated revenue requirement of \$188.3 million for SoCalGas and \$22.9 million for SDG&E. Concurrent with the filing of the Application, SoCalGas and SDG&E also served their Direct Testimony and workpapers.
- B.     On April 10, 2019, Applicants filed an amended application and served amended testimony. Applicants updated the amount of disallowed Post-1955 PSEP costs to \$1,903,000, revising the total amount of disallowed costs to \$2,130,000 being sought for review in this proceeding.
- C.     On June 3, 2019, the Public Advocates Office and Indicated Shippers served Testimony. The Public Advocates Office proposed approximately \$22.7 million in incremental disallowances (i.e., disallowances on top of those already acknowledged by Applicants) for 10 pipeline projects.
- D.     On October 21, 2019, Applicants served rebuttal testimony revising their request, making another minor adjustment to disallow Post-1955 PSEP costs to \$1,905,000 and revising the total amount of Applicants’ proposed disallowed costs to \$2,133,000.
- E.     The costs Applicants sought review of were as follows:



**Total Costs by Project (in \$000's, Fully Loaded)**

<b>Completed Project / Cost Category</b>	<b>Project Type</b>	<b>Capital Costs</b>	<b>O&amp;M Costs</b>	<b>Total Costs<sup>1</sup></b>
30-18 Sections 1 and 3	Replace	\$28,281		\$28,281
33-120 Section 3	Replace	\$7,320	\$120	\$7,440
36-1002	Replace	\$2,035		\$2,035
36-9-09 North Section 1	Replace	\$53,835	\$2	\$53,837
36-9-09 North Section 3	Replace	\$27,244	\$4	\$27,248
36-9-09 North Section 4A and 4B	Replace	\$15,145		\$15,145
36-9-09 North Section 7A and 7B	Replace	\$37,729	\$15	\$37,744
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37-18 Sections 1,2,3,4,5	Replace	\$58,054		\$58,054
38-200	Replace	\$8,539	\$23	\$8,562
38-501	Replace	\$22,339	\$7	\$22,346
38-504	Replace	\$5,714	\$7	\$5,721
38-512 Sections 1, 2, 3	Replace	\$30,889	\$1,245	\$32,134
38-514	Replace	\$14,751	\$23	\$14,774
38-931	Replace	\$7,467		\$7,467
41-17	Replace	\$2,744		\$2,744
41-116	Replace	\$227		\$227
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43-121 South	Replace	\$35,844		\$35,844
44-137	Replace	\$27,605	\$16	\$27,621
44-687	Replace	\$5,892	\$10	\$5,902
44-720	Replace	\$10,981	\$9	\$10,990
85 South Newhall	Replace	\$9,880		\$9,880
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32-21 Section 3	Test	\$683	\$3,175	\$3,858
37-18-F	Test	\$83	\$7,473	\$7,556
406 Section 3	Test	\$390	\$2,222	\$2,612
2000-C	Test	\$3,086	\$10,867	\$13,953
2001 West-B	Test	\$686	\$4,430	\$5,116
2003 Section 2	Test	\$488	\$2,439	\$2,927
36-9-09 North Section 5A	Test/Replace	\$14,197	\$2	\$14,199

<sup>1</sup> Gross costs, disallowance has not been deducted from this column.

<b>Completed Project / Cost Category</b>	<b>Project Type</b>	<b>Capital Costs</b>	<b>O&amp;M Costs</b>	<b>Total Costs<sup>1</sup></b>
404 Sections 1, 2, 2A, 3, 3A, 4&5, 8A, and 9	Test/Replace	\$13,848	\$12,484	\$26,332
1004	Test/Replace	\$6,899	\$7,121	\$14,020
36-9-09 South	Abandon	\$2,339	\$2	\$2,341
36-9-09 JJ	Abandon	\$1,905	\$2	\$1,907
Kern Wildlife Bundle	Abandon	\$1,888	\$4	\$1,892
Alhambra Station	Valve	\$3,588		\$3,588
Aviation & Boardwalk	Valve	\$7,397		\$7,397
Banning 5000 Bundle	Valve	\$2,410		\$2,410
El Segundo	Valve	\$7,488		\$7,488
Haynes Station	Valve	\$1,750		\$1,750
Honor Ranch Bundle	Valve	\$1,486		\$1,486
Indio	Valve	\$2,853	\$5	\$2,858
Lampson Bundle	Valve	\$9,632		\$9,632
Line 1005 Santa Barbara	Valve	\$516		\$516
Line 1014 Brea Bundle	Valve	\$7,297		\$7,297
Line 1018 Dana Point	Valve	\$734		\$734
Line 1020	Valve	\$1,664		\$1,664
Line 2000 Beaumont Riverside Bundle	Valve	\$2,786		\$2,786
Line 2001 Riverside Bundle	Valve	\$2,479		\$2,479
Line 2001 West Section 10 and 11	Valve	\$1,545		\$1,545
Line 2003 East Bundle	Valve	\$4,436		\$4,436
Line 2003 West Bundle	Valve	\$3,930		\$3,930
Line 225 Valve Bundle	Valve	\$2,575		\$2,575
Line 235-335 East Bundle	Valve	\$3,894		\$3,894
Line 4000 Benson and 7th	Valve	\$1,612		\$1,612
Line 4000 MP 45.36	Valve	\$1,257		\$1,257
Line 4000 MP 53.	Valve	\$1,370		\$1,370
Line 4000 MP 80.08	Valve	\$1,245		\$1,245
Line 4002 Fontana	Valve	\$1,259		\$1,259
Line 404 Ventura Bundle	Valve	\$4,646		\$4,646
Line 404-406 Ventura 2016 Bundle	Valve	\$974		\$974
Line 406 Ventura Bundle	Valve	\$3,902		\$3,902
Line 6916 Bundle	Valve	\$2,788		\$2,788
Line 7000 Bundle	Valve	\$1,843		\$1,843
New Desert Bundle	Valve	\$10,523	\$6	\$10,529
Newhall Bundle	Valve	\$15,886		\$15,886

<b>Completed Project / Cost Category</b>	<b>Project Type</b>	<b>Capital Costs</b>	<b>O&amp;M Costs</b>	<b>Total Costs<sup>1</sup></b>
Orange Bundle	Valve	\$5,324	\$2	\$5,326
Questar Taps	Valve	\$1,763	\$5	\$1,768
Rainbow Bundle	Valve	\$5,207		\$5,207
Sepulveda Station	Valve	\$1,038		\$1,038
Facilities Lease (SoCalGas)	Misc		\$6,112	\$6,112
Descoped Projects	Misc		\$746	\$746
Post Completion Adjustments	Misc	\$148	\$1,256	\$1,404
PSRMA PSEP Insurance	Misc	\$305	\$1,656	\$1,961
<b>SoCalGas Total</b>		<b>\$731,948</b>	<b>\$79,175</b>	<b>\$811,123</b>
49-28	Replace	\$46,990		\$46,990
49-15	Replace	\$43,489		\$43,489
49-11	Test	\$4,762	\$2,613	\$7,375
49-13 Sections 1, 2, and 3	Test/Replace	\$19,010	\$4,569	\$23,579
Line 49-28	Valve	\$1,658		\$1,658
Line Bundle	Valve	\$707		\$707
Line 3600 Bundle	Valve	\$5,295		\$5,295
Line 3010 Bundle	Valve	\$276		\$276
Facilities Lease (SDG&E)	Misc		\$363	\$363
Post Completion Adjustments	Misc	(\$115)		(\$115)
<b>SDG&amp;E Total</b>		<b>\$122,072</b>	<b>\$7,545</b>	<b>\$129,617</b>
<b>GRAND TOTAL</b>		<b>\$854,020</b>	<b>\$86,720</b>	<b>\$940,740</b>

- F. On November 7, 2019, Applicants, Southern California Generation Coalition (“SCGC”), The Utility Reform Network (“TURN”), Indicated Shippers and the Public Advocates Office filed a joint motion to move exhibits into the evidentiary record (the “Joint Motion”).
- G. The Settling Parties, while acknowledging the matters addressed in this Agreement, desire and have agreed to fully resolve the issues set forth in this Proceeding, except as expressly set forth in section III.B of this Agreement. The Settling Parties submit that this Settlement complies with the California Public Utilities Commission’s (“Commission” or “Commission’s”) requirements that settlements be reasonable, consistent with law, and in the public interest. The Settling Parties have recognized that there is risk involved in litigation, and that a party’s filed position might not prevail, in whole or in part, in the Commission’s final determination. The Settling Parties have reached compromise positions that they believe are appropriate in light of the litigation risks. Except for those issues not resolved between Applicants and Indicated Shippers in

section III.B of this Agreement, this Settlement reflects the Settling Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

## II. AGREEMENT

In order to avoid the risks and costs of litigation, the Settling Parties agree to the following terms and conditions.

### A. Agreed Incremental Disallowance

The Settling Parties agree that Applicants will acknowledge a further \$4 million (\$4,000,000) disallowance in addition to those disallowances already acknowledged by Applicants.

Hence, the total amount of costs to be approved in this Application would be \$940,740,000 (total costs sought for review in this proceeding) - \$2,133,000 (acknowledged disallowance by Applicants) - \$4,000,000 (agreed incremental disallowance) = \$934,607,000. Given this agreement, the Public Advocates Office agrees it will no longer litigate or advocate for its proposed \$22.7 million incremental disallowance in this Proceeding.

The Settling Parties agree that this \$4,000,000 disallowance would be applied to the Safety Enhancement Expense Balancing Account ("SEEBA").

### B. Application of Agreed Incremental Disallowance

The Settling Parties agree that the agreed \$4 million in incremental disallowance would apply to 100 percent operations and maintenance ("O&M") costs. The Settling Parties further agree that the disallowance would be allocated between SoCalGas and SDG&E on a pro rata basis in line with the request in the Application (approximately 86% and 14%, respectively). The Settling Parties also agree that the agreed disallowance would not be retroactive (i.e., would not apply) to any costs previously approved for recovery in any other proceeding.

### C. Record Supporting Agreement

The Settling Parties agree that the record supporting this Settlement Agreement includes, but is not limited to, the documents listed in the Joint Motion, which exhibits have previously been served on the service list of A.18-11-010 (except for those exhibits containing confidential information). This agreement that the documents listed in the Joint Motion support this Settlement Agreement, does not constitute an admission by any of the Settling Parties that did not submit a particular document regarding the content of such document.

### D. Implementation Timeline

This Settlement Agreement shall become effective upon issuance by the Commission of a decision adopting the Settlement Agreement. The Settling Parties agree that SoCalGas and SDG&E will file Tier 1 Advice Letters within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of

the month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas and SDG&E.

### III. OTHER MATTERS

#### A. Regulatory Approval

The Settling Parties agree to seek prompt approval of this Settlement Agreement and to use their reasonable best efforts to secure Commission approval of it without change, including by filing a joint motion seeking approval of this Settlement Agreement and any written filings, appearances, and other means as may be necessary to secure Commission approval. The Settling Parties agree to actively and mutually defend this Settlement Agreement if its adoption is opposed by any other party in proceedings before the Commission.

Should any Proposed Decision (PD) or Alternate Proposed Decision (APD) seek a material modification to this Settlement Agreement, and should any Settling Party be unwilling to accept such modification, that Settling Party shall so notify the other Settling Parties within five business days of issuance of the PD or APD. The Settling Parties shall thereafter promptly discuss the modification and negotiate in good faith to achieve a resolution acceptable to the Settling Parties and shall promptly seek Commission approval of the resolution so achieved. The Settling Parties agree to oppose any modification of this Agreement proposed in a PD or APD not agreed to by all Parties.

Any party signing this Agreement may withdraw from this Agreement if the Commission issues a final decision that materially modifies, deletes from, or adds to the disposition of the matters settled herein, except for resolutions of modifications agreed to by the Settling Parties as discussed in the previous paragraph. However, the Settling Parties agree to negotiate in good faith with regard to any Commission-ordered changes, in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. To accommodate the interests related to various issues, the Settling Parties acknowledge that changes, concessions or compromises by one or more Settling Parties in one section of this Agreement could result in changes, concessions or compromises by one or more Settling Parties in other sections of this Agreement.

The provisions of this Section III.A. shall impose obligations on the Settling Parties immediately upon the execution of this Settlement Agreement.

#### B. Partial Settlement

This Settlement Agreement is a settlement of some but not all the issues within the scope of the proceeding between the Settling Parties. The only issues not covered by this Settlement Agreement are Applicants' proposals to amortize O&M and capital-related revenue requirements recorded in Applicants' PSEP balancing accounts over a twelve-month period upon approval of their Application and Indicated Shippers' proposals that the amortization of capital costs and O&M expenses be extended over twenty years and four years, respectively (the "Amortization Issues"). The Public Advocates Office does not contest the Applicants' amortization proposals.

C. Incorporation of Complete Agreement

This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Settling Parties. This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues.

D. Unified Agreement

The Settling Parties have bargained in good faith to reach the agreement set forth herein. The Settling Parties intend the Settlement Agreement, to be interpreted as a unified, interrelated agreement. The Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because a particular party or its counsel drafted the provision.

E. Successors and Assigns

The rights conferred and obligations imposed on any of the Settling Parties by this Settlement Agreement shall inure to the benefit of or be binding on that Settling Party's successors in interest or assignees as if such successor or assignee was itself a party to this Settlement Agreement.

F. Disputes Regarding Agreement

Should any dispute arise among the Settling Parties regarding the manner in which this Settlement Agreement or any term shall be implemented, the Settling Parties agree, prior to initiation of any other remedy, to work in good faith to resolve such differences in a manner consistent with both the express language and the intent of the Settling Parties in entering into this Settlement Agreement. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Settling Parties.

G. Non-Precedential

The Settling Parties hereby agree that this Settlement Agreement is entered into as a compromise of disputed issues in order to minimize the time, expense, and uncertainty of continued litigation in the Proceeding. This Settlement Agreement shall not be considered precedent in any future proceeding before this Commission unless the Commission expressly provides otherwise, as set forth in Rule 12.5 of the Commission's Rules of Practice and Procedure. In the event that this Settlement Agreement is rejected by the Commission, each Settling Party expressly reserves its right to advocate, in other current and future proceedings, or in this proceeding, positions, principles, assumptions, arguments and methodologies which may be different from those set forth in this Settlement Agreement.

H. Non-Waiver

None of the provisions of this Settlement Agreement shall be considered waived by any Settling Party unless such waiver is given in writing. The failure of a Settling Party to insist in

any one or more instances upon strict performance of any provision of this Settlement Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provision or the relinquishment of any such rights for the future, and the Settlement Agreement shall continue and remain in full force and effect.

I. Governing Law

This Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California.



J. Captions and Paragraph Headings

Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

K. Signatures/Counterparts


This Settlement Agreement may be executed in counterparts. This Agreement may be executed in separate counterparts, the whole of which shall constitute a binding agreement. Facsimile signatures or pdf version signatures communicated by email, when received, shall have the same force and effect as original signatures. The representatives of the Settling Parties signing this Settlement Agreement are fully authorized to enter into this Settlement Agreement.

IN WITNESS WHEREOF, the Settling Parties hereto have duly executed this Settlement Agreement.

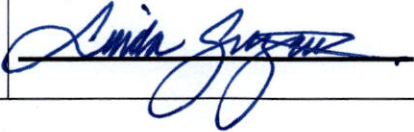
Entity: Southern California Gas Company	By: Cedric Williams VP, Construction 	Date: _30_, January, 2020
Entity: San Diego Gas & Electric Company	By: Cedric Williams VP, Construction 	Date: _30_, January, 2020
Entity: Indicated Shippers	By: Evelyn Kahl Counsel _____	Date: __, January, 2020
Entity: The Public Advocates Office	By: Linda Serizawa Deputy Director _____	Date: __, January, 2020



IN WITNESS WHEREOF, the Settling Parties hereto have duly executed this Settlement Agreement.

Entity: Southern California Gas Company	By: Cedric Williams VP, Construction  _____	Date: __, January, 2020
Entity: San Diego Gas & Electric Company	By: Cedric Williams VP, Construction  _____	Date: __, January, 2020
Entity: Indicated Shippers	By: Evelyn Kahl Counsel  _____	Date: 30, January, 2020
Entity: The Public Advocates Office	By: Linda Serizawa Deputy Director  _____	Date: __, January, 2020

IN WITNESS WHEREOF, the Settling Parties hereto have duly executed this Settlement Agreement.

Entity: Southern California Gas Company	By: Cedric Williams VP, Construction  _____	Date: __, January, 2020
Entity: San Diego Gas & Electric Company	By: Cedric Williams VP, Construction  _____	Date: __, January, 2020
Entity: Indicated Shippers	By: Evelyn Kahl Counsel  _____	Date: __, January, 2020
Entity: The Public Advocates Office	By: Linda Serizawa Deputy Director   _____	Date: <u>30</u> , January, 2020